

Message Text

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ORIGIN NEA-11

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C O N F I D E N T I A L STATE 154089

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FOR AMBASSADOR FROM ARP

E.O. 11652: GDS

TAGS:MASS, SA

SUBJECT: REDUCTION OF FMS DOLLAR FIGURES AND THE SNEP O AND
M

REF: RIYADH 283

1. DOD IS IN THE THROES OF PREPARING THE CONGRESSIONAL
NOTIFICATION ON THE SAUDI NAVAL EXPANSION PROGRAM (SNEP)
OPERATIONS AND MAINTENANCE FMS SALES CASE. DEPARTMENT
HAD INSTRUCTED DOD TO SEEK TO REDUCE THE TOTAL DOLLAR
COST OF THE CONTRACT BY DELETING CONSTRUCTION, HOUSE-
KEEPING AND OTHER NON-WEAPONS RELATED, NON-SENSITIVE
SERVICES AND FUNCTIONS. DSAA HAS NOW PROPOSED TO DEPART-
MENT IN WRITING THAT THE PROJECT BE ALL FMS FOR THE FIRST
THREE YEARS. THIS, IN OUR VIEW, IS NOT RESPONSIVE TO
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DEPARTMENT'S INSTRUCTIONS AND WHAT WE UNDERSTAND TO BE
SULTAN'S DESIRE TO REDUCE THE TOTAL VALUE OF FMS CASES
WHERE POSSIBLE. IN FACT, THIS PROPOSAL IS LESS FORTH-
COMING THAN THAT DESCRIBED TO YOU DURING OUR MAY 23
MEETING AT DOD.

2. WE UNDERSTAND THERE IS STILL SOME DIFFERENCE OF VIEW-

POINT WITHIN DOD ON THIS QUESTION AND THAT THE U.S. NAVY
REMAINS RECEPTIVE IN PRINCIPLE TO THE IDEA OF CUTTING NON-

ESSENTIALS OUT OF FMS CASE. WE ALSO UNDERSTAND
PROSPECTIVE CONTRACTORS ARE, AT NAVY INSTRUCTION,
DEVELOPING ALTERNATIVE PROPOSALS RESPONSIVE TO THIS
IDEA AND WHICH COULD SERVE AS BASIS FOR FINAL ARRANGEMENT.
(THE PRECISE MODALITIES AND FUNCTIONS TO BE AFFECTED HAVE
NOT YET BEEN IDENTIFIED.) THE U.S. NAVY IS RELUCTANT
TO GO ANY FURTHER OR TO CHALLENGE THE DSAA PROPOSAL,
HOWEVER, UNTIL THEY ARE ASSURED THAT SULTAN AGREES IN
PRINCIPLE AT LEAST THAT FMS COST OF SNEP O AND M
PROJECT SHOULD BE REDUCED AS MUCH AS POSSIBLE, SINCE
CAPT. SAJA HAS INDICATED STRONG DESIRE FOR ALL FMS
O AND M PROJECT.

3. OUR READING OF REFTEL LEADS US TO BELIEVE THAT
SULTAN'S CONCERN WITH SAUDI FMS DOLLAR FIGURES AND HIS
RECEPTIVITY TO REVISED ARRANGEMENT FOR CORPS (PARA 6)
MIGHT WELL EXTEND BEYOND CORPS CONSTRUCTION CASES TO
ENCOMPASS PROJECTS SUCH AS SNEP O AND M. THERE IS NO
CLEAR EVIDENCE, HOWEVER, FROM REFTEL THAT YOUR DIS-
CUSSION OF FMS DOLLAR PROBLEMS WITH SULTAN DEALT WITH
ANYTHING OTHER THAN COE CONSTRUCTION CASES.

4. IF YOU BELIEVE ON BASIS OF DISCUSSION REPORTED REFTEL
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THAT SULTAN WOULD ENDORSE EFFORT TO REDUCE FMS PORTION
OF SNEP O AND M IT WOULD BE EXTREMELY HELPFUL AT THIS
STAGE IF YOU COULD REPORT THIS ASSESSMENT IN A NON-
CAPTIONED MESSAGE. ALTERNATIVELY, EMBASSY MAY WISH TO
SOUND OUT SULTAN OR OTHER APPROPRIATE MINISTRY OFFICIAL
ON SULTAN'S WISHES WITH SPECIFIC REGARD TO SNEP O AND M,
OR TO COMMENT ON DESIRABILITY OF DOING SO. NEWSOM

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